

The complaint

Mr F complains about the price charged by Vitality Health Limited ("Vitality") to renew his private medical insurance policy over several years. He also complains they didn't inform him about a business plan which would've worked out cheaper.

What happened

Mr F has taken out a Personal Plan for medical insurance through Vitality since 2013. He says the price of his policy has increased year on year, and he was then quoted £11,311.20 for his policy in 2023. Mr F says when his company enquired about adding him onto their Business Plan, the price they were quoted for the same cover was £1,293.53. Mr F complained to Vitality as he believed a mistake had been made when calculating the price for his Personal Plan policies, and about them not making him aware of the Business Plan.

Vitality responded and explained Mr F had been on a Personal Healthcare Plan and then joined the Business Healthcare Plan. Vitality said, at each renewal, Mr F's Personal Plan premium was calculated and provided to him. They said the pricing structure for the Personal Plan was different to the one used for the Business Plan which means that, on occasions, customers will see a reduction when transferring from an existing Personal Plan. They said their sales team won't provide recommendations in relation to potential cover, but upon contact will provide a customer with relevant information to enable them to make an informed decision. Vitality confirmed the price Mr F had paid for the Personal Plan over the years was correct.

After considering all of the evidence, I issued a provisional decision on this complaint to Mr F and Vitality on 19 January 2024. In my provisional decision I said as follows:

"The role of this service when looking at complaints about insurance pricing isn't to tell a business what they should charge or to determine a price for the insurance they offer. This is a commercial judgement and for them to decide. But we can look to see whether we agree a consumer has been treated fairly – so is there anything which demonstrates they've been treated differently or less favourably. If we think someone has been treated unfairly, we can set out what we think is right to address this unfairness.

I can see Mr F has provided a breakdown of the Personal Plan premiums he has paid since 2014. At that point the price he paid was £1,346.28 which then increased each year to 2022 when he paid £10,009.92.

Then, following a renewal quote for £11,311.20, Mr F's company contacted Vitality and he then switched to their Business Plan which was considerably cheaper than the price he'd been paying for the Personal Plan. Given the significant difference between the price Mr F paid in 2022 and the quote received in 2023 when compared with the price for the Business Plan, I understand why Mr F is concerned about the price increases for his Personal Plans.

Vitality have explained how the Personal Plan is on a different pricing structure to the Business Plan. They say the risk of an individual being insured on a Personal Plan is different to a group of people being insured on a Business Plan. They've shown the Personal Plan is rated using an 'ABC' pricing structure. The information shows this takes into account age – and it being more likely a customer will need to claim as they get older, so the premium will increase. Base rate – which represents the change in the cost of providing healthcare and takes into account the charges made by healthcare providers. Claims – which takes into account any claims made. Vitality have explained this isn't the same pricing structure used to rate a Business Plan.

It's not unusual or uncommon for a business to rate two separate products according to a different pricing structure. I acknowledge Mr F may feel this is unfair, particularly given the price difference between the two products. But it's for a business to decide what risks they're prepared to cover and how much weight to attach to those risks - different insurers will apply different factors. And the same insurer might apply different factors and loadings to different products. That's not to say an insurer offering a higher premium for a particular product has made an error if a separate product offered by the same insurer is cheaper - but rather, it reflects the different approach they've decided to take to risk. So, I can't say Vitality have made an error if there's a difference in pricing between a Personal Plan and Business Plan.

I understand Mr F feels there was a responsibility on Vitality to make him aware of the Business Plan during the period he was paying for a Personal Plan. Mr F says he wasn't given appropriate information about the policy to enable him to make an informed decision. Mr F says the email address he has always used for his Personal Plan is his company email address which sets out the company name. Mr F says Vitality were therefore aware of his company and would've known the company has a Business Plan set up, so he should've been made aware of the cost savings in taking out a Business Plan. Vitality say their sales team won't provide recommendations in relation to potential cover and which policy a customer should take out but, upon contact, they'll provide a customer with relevant information to enable them to make an informed decision. They say, upon a request for a Personal Plan to be set up, they'll provide information on the products and cover options available for their Personal Plans. They explain their sales team wouldn't identify if a customer would prefer to join a Business Plan as they wouldn't know this was available to that customer through their employer. They say it would be the responsibility of an employer to provide this information to employees.

The information shows Vitality weren't advising Mr F on the most suitable policy to meet his needs. So I don't think it was unreasonable for Vitality to continue to offer renewal quotes for the Personal Plan. I acknowledge Mr F's concern that his email address would've highlighted his company and Vitality should therefore have been aware a Business Plan is set up. Vitality say they wouldn't make an assumption that Mr F might want to change to a Business Plan as they wouldn't know this was available to him through the company – and I don't think it's unreasonable for Vitality to take this view.

Turning now to the price Mr F has been charged for his Personal Plan. The policy terms and conditions set out how premiums will be calculated. This refers to the 'ABC' pricing structure and says, "The increase in your renewal premium will be the sum of these three items (A+B+C)". Vitality have provided information which shows the individual and collective percentage increases which have applied to Mr F's policy under their 'ABC' pricing model. So, I'm satisfied they've rated Mr F's policy in line with the terms and conditions. Vitality say these are the same for any other member in the same circumstances as Mr F. I think that's important here as it

demonstrates the pricing model used to calculate Mr F's premiums was no different to what was used for any other customer in the same circumstances. So in short, they have treated all customers the same with the pricing structure and Mr F hasn't been treated differently or unfairly when Vitality rated Mr F's policy using this approach.

In addition to this, I can see Vitality did, in their renewal quotes, remind Mr F that he could shop around to see if he could get a better price. As Mr F had taken out at least four renewals, then section 6.5 of the Insurance Conduct of Business Sourcebook ("ICOBS") requires a business to provide specific wording about the benefits of shopping around. So, as well as treating Mr F fairly, I think Vitality have also acted in line with requirements set out under ICOBS.

I acknowledge Mr F will be disappointed by my decision and I do understand he feels strongly about the price difference between the two plans. I also acknowledge Mr F feels there was a responsibility on Vitality to offer him the cheaper Business Plan policy. But, for the reasons I've explained, I don't think Vitality have treated Mr F unfairly or differently to other customers in the same circumstances when pricing his Personal Plan policies or acted unreasonably in continuing with Mr F's Personal Plan policies."

So, subject to any further comments from Mr F or Vitality, my provisional decision was that I was minded to not uphold this complaint.

Following my provisional decision, no representations have been made by either party.

What I've decided – and why

I've considered all the available evidence and arguments to decide what's fair and reasonable in the circumstances of this complaint.

Having done so, and with no representations being made, I see no reason to depart from my provisional decision. So, I've decided not to uphold the complaint for the reasons set out in my provisional decision and copied above.

My final decision

For the reasons I have given, it is my final decision that the complaint is not upheld.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr F to accept or reject my decision before 18 March 2024.

Paviter Dhaddy
Ombudsman